

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 25-11-2009

GAIN Report Number: CI9028

Chile

AVOCADO ANNUAL

Enter a Descriptive Report Name

Approved By:

Joseph Lopez, Agricultural Attaché

Prepared By:

Luis Hennicke, Agricultural Specialist

Report Highlights:

Output and exports of avocados are expected to recuperate fully this coming year, after a significant fall last season as a vast area was affected by heavy frost during the CY2007 winter.

Executive Summary:

Chilean avocado production recuperated in 2009 after a significant fall in output last year as a result of a severe frost that affected large production areas during the winter of 2007. For the coming 2010 year since there are still a large number of orchards entering their productive stage or are at their incremental stage of production, output is forecasted to be only modestly larger than this season as producers fear that many orchards could be affected by alternate bearing thus offsetting an output expansion. Total area planted to avocados is expected to increase further, but industry sources indicated that the

rate of increase in planted area will most likely level off. Excellent gains made in export markets in the past were the main reason for the significant increase in dedicated land use to avocados.

Commodities:

Avocados, Fresh

Production:

After the two last growing seasons of 2007 and 2008 when extremely cold and freezing weather affected total avocado production severely, output in 2009 is expected to be back at full swing with a production expansion of over 60 percent when compared to the previous year. Exports and domestic consumption were also affected negatively. For 2010 another expansion of production is expected as still an extensive area of new planted orchards are coming into or are in the increasing stage of production. Industry sources have indicated that some orchards will probably be affected by alternate bearing (fruit stress). As a result all the new plantings coming into production and the orchards with increasing stage of production which would call for a significant increase of production will be offset by the alternate bearing effect and total out will only expand moderately.

Most Chilean avocados are produced in arid regions with little rain, except during the winter months, consequently most orchards are frequently free of pests and spraying is not necessary. Production area has expanded during the last few years. Increases in planted land have been almost exclusively devoted to the Hass variety, which represents over 75 percent of total production.

Planted Area

As a result of good prices and excellent economic returns obtained in the past planted area continues to expand, but at a slower rate as prices have leveled off.

A little over 98 percent of all Chilean commercial avocado trees are planted in the central area of the country - from Region IV through Region VI. The largest expansion in planting during the last few years has been in Region V, followed by the Metropolitan Region and Region IV. Although almost all of the expansion has been dedicated to the Hass variety, there are over 20 other varieties planted.

Consumption:

Although the recent consumption increases and the per capita domestic use is still low for a producing country, domestic avocado consumption is becoming an interesting alternative for producers mainly due to increasing production costs and the continuous devaluation of the dollar against the Chilean peso which is reducing economic returns to producers. Domestic prices obtained by producers often are similar or higher than prices obtained for exports.

To increase domestic consumption, the Chilean avocado producers association has a domestic promotional campaign that focuses on a nutrition and health message. For this season the Chilean Avocado Committee has a budget of US\$450 thousand which is approximately double of last year's budget.

Table – Chile: Avocado Planted Area, Production and Exports

Years	Planted Area (Ha)	Production (MT)	Exports (MT)
-------	-------------------	-----------------	--------------

1973	4,490	14,500	-
1980	6,180	25,000	12
1985	7,605	28,900	1,200
1990	8,315	38,800	11,557
1995	11,560	48,000	12,000
1999	19,800	80,550	34,788
2000	21,202	95,000	52,049
2001	21,800	98,000	52,492
2002	22,900	129,000	78,071
2003	23,300	148,000	97,646
2004	24,500	170,000	113,508
2005	24,900	177,000	136,412
2006	26,731	185,000	110,893
2007	35,350	215,000	146,397
2008	40,098	147,100	84,990
2009	40,598	237,600	169,000 1/
2010	41,000	240,000	170,000 2/
Note: 1/	Estimate		
2/	Forecasts		
Source: Ministry of Agriculture, Central Bank			

Trade:

The largest export market for Chilean avocados is the United States and the European Community. The US market received 76 percent of Chile's total avocado exports in 2008. Exports to the EU have increased during the last few years as a result of a big industry effort made to diversify their markets. Additionally a stronger Euro, contributes in increasing exports to the other destinations.

As a result of the US-Chile FTA, Chile obtained a duty free quota of 49,000 M.T. beginning with CY2004. This quota increases 5 percent yearly over the next 12 years, after which avocados will enter the US duty free. Chilean avocado exports are highly dependent on the U.S. market. The California Avocado Commission's promotional campaign which will continue this year is financed through the Check Off program. The Chilean Avocado Importers Association (CAIA) is in charge of the market promotion in the US with a budget of US\$6 million that includes radio and television programs and ads on buses. Soccer in the US has reportedly become the best promotional scenario for CAIA's activities reaching an estimated 8.7 million consumers. For Europe the Chilean Avocado Committee has a budget of US\$600 thousand and in Argentina their expenditures in promotion reached US\$150 thousand.

Policy:

The Chilean Government has no subsidy or special tax incentives for avocado production or exports.

Production, Supply and Demand Data Statistics:

Avocados, Fresh Chile	2007			2008			2009			
	2007/2008			2008/2009			2009/2010			
	Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			Market Year Begin: Jan 2010			
	USDA Official Data		Old Post	USDA Official Data		Old Post	USDA Official Data	Jan		
			Data			Data			Data	
Area Planted	39.300	39.300	40.098	0	39.600	40.598			41.000	(HECTARES)

Area Harvested	30.900	30.900	31.500	0	32.000	32.400		33.200	(HECTARES)
Bearing Trees	10.073	10.073	10.270	0	10.432	10.560		10.820	(1000 TREES)
Non-Bearing Trees	2.006	2.006	2.054	0	1.739	1.920		1.785	(1000 TREES)
Total No. Of Trees	12.079	12.079	12.324	0	12.171	12.480		12.605	(1000 TREES)
Production	190.00 0	168.00 0	147.10 0	0	210.00 0	237.60 0		240.00 0	(MT)
Imports	500	400	390	0	400	1.300		1.000	(MT)
Total Supply	190.50 0	168.40 0	147.49 0	0	210.40 0	238.90 0		241.00 0	(MT)
Exports, Fresh	128.00 0	100.00 0	84.990	0	141.00 0	169.00 0		170.00 0	(MT)
Fresh Dom. Consumption	60.300	66.400	60.300	0	67.000	67.600		68.700	(MT)
For Processing	2.200	2.000	2.200	0	2.400	2.300		2.300	(MT)
Total Distribution	190.50 0	168.40 0	147.49 0	0	210.40 0	238.90 0		241.00 0	(MT)

Export Trade Matrix					
Country	Chile				
Commodity	Avocados, Fresh				
Exports for:	2007			2008	
Time Period	Jan-Dec	Units:	M.T.		
Units:	Volume	Value		Volume	Value
U.S.	111.228	151.963	U.S.	64.725	112.913
Others			Others		
Netherlands	13.263	21.716	Netherlands	7.194	12.294
Spain	7.414	12.680	U.K.	4.463	6.415
U.K.	7.062	11.102	Spain	3.158	5.736
Argentina	3.232	2.466	Argentina	2.711	3.677
France	1.182	1.552	Sweden	1.112	1.962
Sweden	998	1.500	France	896	1.224
Japan	521	941	Japan	203	352
Peru	403	275	Belgium	190	484
Denmark	349	417	Germany	169	143
Canada	281	324	Denmark	84	47
Total for Others	34.705			20.180	
Others not Listed	464			93	
Grand Total	146.397	205.498		84.998	145.413
Time Period	Jan-Oct				
Exports for:	2008			2009	
U.S.	48.672	85.306	U.S.	86.890	105.093
Others			Others		
Netherlands	3.998	7.067	Netherlands	10.747	13.364
U.K.	2.867	4.298	Spain	6.423	7.966
Spain	2.390	4.517	U.K.	4.394	4.959
Argentina	1.976	2.657	France	3.311	4.744
Sweden	625	1.105	Argentina	1.937	2.313
France	558	883	Sweden	1.081	1.275

Germany	85	74	Japan	1.079	1.423
Belgium	85	232	Switzerland	85	91
Denmark	41	24	Guatemala	75	123
Hong-Kong	41	80	Hong-Kong	61	89
Total for Others	12.666			29.193	
Others not Listed	54			210	
Grand Total	61.392	106.335		116.293	141.819
Note: Volume in M.T. and Value in Thous.US\$ F.O.B.					

Author Defined:
Market Development

Although avocados from California and Mexico can enter the Chilean market, this country's rather large, year-around avocado production tend to discourage commercial imports for all but a few months during the marketing year. Every year there is some imports, which come mainly from Peru and are imported for the next to the border areas in the north of Chile.